



Interim report
2. Quarter 2007

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Group overview		Q2 2007	Q2 2006	1HY 2007	1HY 2006
Order income	EUR million	42.2	50.4	75.9	88.2
Sales	EUR million	30.7	40.3	65.1	77.7
EBIT	EUR million	3.9	8.4	7.8	16.3
EBT	EUR million	5.2	9.0	9.3	17.5
Net earnings	EUR million	3.4	6.1	5.9	11.7
Earnings per Share	EUR	0.21	0.42	0.37	0.81
Employees	Number	1,670	1,507	1,670	1,507

Interim Management Report

OVERVIEW OF THE DEVELOPMENT OF BUSINESS IN THE GROUP

After a slow start to the new financial year, the order income generated by the Mühlbauer technology group during the reporting period developed gratifyingly. Although this did not match the highest comparable quarter of the previous three years, the significant growth in comparison to the previous quarter reflects the greater interest of the market in the solution provider. As a result of the slow start and sustained project delays, consolidated sales totaled EUR 30.7 million, after EUR 40.3, year-on-year. Against this background, the EBIT of EUR 8.4 million dropped to EUR 3.9 million.

The key ratios for Q2 2007 are:

- Order income of EUR 42.2 million, after EUR 50.4 million in the previous year
- Order backlog totals EUR 86.6 million, after EUR 90.2 million year-on-year
- Consolidated sales down to EUR 30.7 million after EUR 40.3 million year-on-year, due to the slow start and sustained project delays
- EBIT at EUR 3.9 million (8.4) – EBIT margin at 12.6% (20.9%)
- Earnings before taxes total EUR 5.2 million after EUR 9.0 million year-on-year due to the significant improvement of financial result (EUR 1.3 million; PY: EUR 0.6 million)
- Earnings per share amount to EUR 0.21 (0.42)

- Despite the medium- to long-term favourable market environment in the Cards & TECURITY® area, the looming extension of project lead times, particularly in respect of business with governments, as well as the recovery of the semiconductor industry, anticipated for the beginning of the second half of the year – but not yet occurring – has resulted in an adjustment of the personally liable shareholder's sales forecast. On the basis of the development of sales in the first two quarters, we are now proceeding on the assumption that we will be able to achieve a volume of sales in respect of the entire year between EUR 150 million and EUR 160 million.

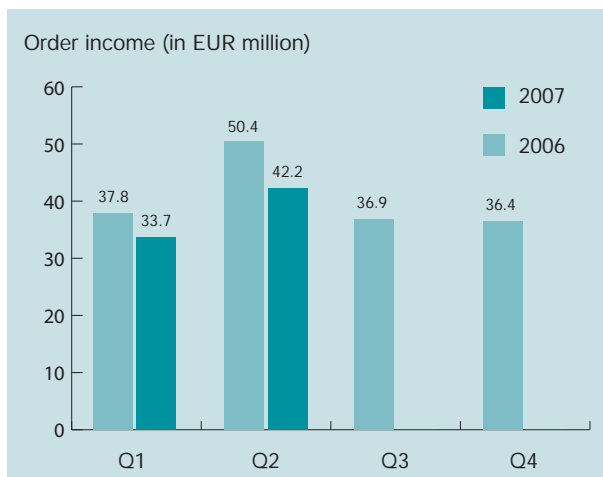
FRAMEWORK CONDITIONS

Global economy. The recovery of the global economy continued throughout the second quarter 2007. Macroeconomic production in the industrialized countries has lost some of its momentum, however, economic activities in the developing and newly industrialized countries has been extended so that the strong increase in global production has remained at virtually the same level. Economic growth in Germany in Q2 also displayed sustained momentum.

Industry development. No significant changes occurred on Mühlbauer's core markets, Cards & TECURITY® and RFID, in Q2 2007, in contrast with the development forecast in the 2006 Annual Report. Demand for innovative and reliable technology and software solutions for the production of security-oriented ID systems in Smart Card and passport formats was impacted less by economic decisions than by structural decisions. Irrespective of this, the framework conditions for the RFID technology have stabilized further, in particular with regard to the optimization of the supply chain management.

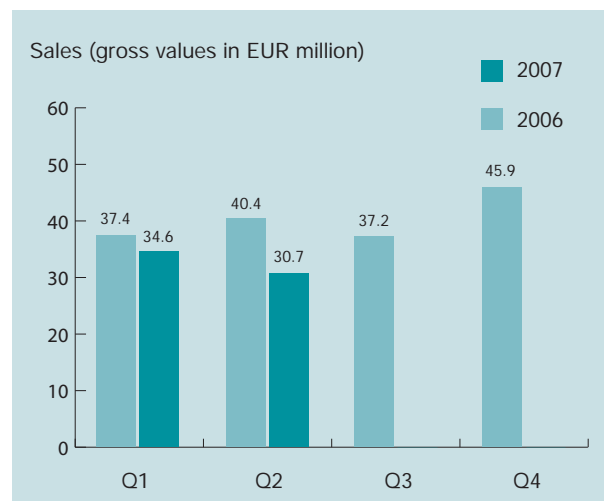
BUSINESS DEVELOPMENT

Order income and order backlog. Although year-on-year order income of the Mühlbauer technology group lagged 16.4%, at EUR 42.2 million, it has developed positively over the first quarter of 2007. Against the background of a further intensification of demand for technology solutions for the production of RFID Smart Labels, Mühlbauer was awarded orders worth EUR 20.9 million in its core business area SmartID. Despite this, Mühlbauer posted a year-on-year decline (26.4) – in the previous year demand for TECURITY® solutions was extraordinarily high. Semiconductor Related Products, which benefited from the maturity of innovative technology solutions for industrial image inspection, contributed EUR 12.9 million (16.3) to the order book. In contrast, the business areas Traceability and Precision Parts & Systems featured a positive increase: at EUR 3.7 million, Traceability topped the previous year's order income (3.6), while Precision Parts & Systems climbed strongly from EUR 4.1 million in Q2 2006 to EUR 4.7 million, due to the continuous rise in demand for highly precise individual parts and systems. Over the first six months of the year, the accumulated order income totaled EUR 75.9 million (88.2) and thus lagged the previous year's result by 13.9%, while the order backlog of EUR 86.6 million at the end of the reporting period only narrowly missed by 4.0% the highest comparable value of the previous year (90.2) in the history of the technology group.



Sales.¹ In the reporting period, sales of the Mühlbauer Group dropped to EUR 30.7 million due to the weak start

and sustained project delays, thus lagging the Q2 result of the previous year by 23.9% (40.4). Although the interest in security-oriented ID systems in Smart Card and passport formats in accordance with international standards continues to be high, project-specific circumstances frequently entail extensions of project throughput times, as a result of which sales in the SmartID area dropped to EUR 16.1 million, compared to the previous year (19.7). At EUR 6.8 million (13.3) sales of Semiconductor Related Products were also considerably lower year-on-year, as anticipated, after the investment climate in the second half of the previous year had declined significantly, due to high production capacities and the fact that customers delayed existing orders. Sales in the Traceability area were almost at the level of the previous year, at EUR 3.5 million (3.7), while Precision Parts & Systems repeated its upward climb, from EUR 3.7 million to EUR 4.3 million, year-on-year. On a half-year comparison, the internationally active technology group posted sales of EUR 65.3 million, 16.0% lower than in the same period of the previous year (77.8).



In the second quarter, the largest export region for the product portfolio of the Mühlbauer technology group was Europe with a sales share of 54.4% (53.8%), followed by Asia with 34.1% (37.4%). North and South America contributed 5.7% (4.3%) to quarterly sales and the remaining continents, Australia and Africa 5.8% (4.5%). With regard to additional, in-depth information on regional sales development, we would like to refer you to our Notes, page 17.

¹ Sales figures are gross values before subtraction of any deductions on sales proceeds of EUR 0.1 million (0.1)

EARNINGS, FINANCIAL AND ASSET SITUATION

Earnings. At EUR 3.9 million, earnings before interest and taxes (EBIT) of the Mühlbauer technology group in Q2 2007 lagged the comparable previous year's value (8.4) by EUR 4.5 million. This corresponds with an EBIT margin of 12.6% - after 20.9% in the previous year. The development of earnings is strongly characterised by the low sales achieved in the reporting period, resulting from the weak start and sustained project delays. Meanwhile, the product mix and the realization of earnings from impairment expenditures effected in the inventory assets resulted in an almost changeless cost of sales share on a quarterly comparison (59.0%; PY: 58.0%). Selling expenses as well as research and development expenses remained virtually unchanged, while administrative expenses rose by EUR 0.4 million, due to increases in personnel expenditure and lower allocations to plan assets. The financial result for Q2 was extremely positive at EUR 1.3 million (0.6), largely due to the profitable disposal of securities. After deducting tax expenses, the net income for the period was EUR 3.4 million in Q2 2007 after EUR 6.1 million year-on-year. In the period under review, earnings per share amounted to EUR 0.21 after EUR 0.42 in the same period of the previous year.

At EUR 7.8 million, earnings before interest and taxes (EBIT) of the Mühlbauer technology group in respect of 1HY 2007 were also lower than in the same period of the previous year (16.3). The EBIT margin was thus 11.9% (21.0%). The reasons for this decline in earnings are the sales that are considerably lower year-on-year and the resultant cost progression in the cost of sales shares (60.9%; PY: 55.7%), which led to a decline of the gross profit margin from 44.3% to 39.1%. The development of new sites abroad provided an additional impact on costs, as these expenses are initially not opposed by earnings. Offsetting effects that boosted the half-yearly result, ensued from the recovery of value-adjusted trade receivables of EUR 0.9 million (0.2). As a result of the lower assessment basis, tax expenses in the first half of the year dropped from EUR 5.8 million to EUR 3.5 million. Sometimes the initial loss of a foreign group company, in respect of which no deferred tax assets were formed due to a multi-year tax exemption, re-

sulted in a rise of the group's tax rate from to 37.1% (33.1%). The net income for 1HY totaled EUR 5.9 million after EUR 11.7 million year-on-year. This results in earnings per share of EUR 0.37 after EUR 0.81 year-on-year.

Cashflow. At EUR 6.6 million, cashflow from operating activities in the first half of the year was EUR 0.7 million under the level of 1HY 2006 (7.3), while appropriations of earnings, in particular from within the group, led to EUR 3.9 million higher income tax payments, year-on-year. Securities worth EUR 26.3 million (9.4) were disposed of to finance investments in fixed assets and capitalized development costs of EUR 6.0 million (4.0) and to finance the dividend payments of EUR 17.4 million (13.3) made to shareholders and the personally liable shareholder during the reporting period. This was offset by payments of EUR 11.8 million (9.6) in respect of securities purchased. The free cashflow of EUR +1.2 million was EUR 2.4 million lower year-on-year (+3.6), largely due to the development of the group described above. The decline is strongly characterized by the higher investment expenses, primarily applicable to the development of the new technology sites in Malaysia and Slovakia.

Assets. Compared with the end of the previous year the group's balance sheet total dropped 5.7% to EUR 165.2 million (175.2). In the same period, net financial assets declined 34.2%, from EUR 44.7 million to EUR 29.4 million, largely due to the investments and distribution of profits. Compared with the end of the previous year the working capital increased slightly by EUR 1.4 million to EUR 46.9 million to the end of the reporting period. A decline of trade receivables of EUR 5.1 million is offset by an increase in inventories of EUR 5.7 million and an increase in tax receivables of EUR 2.1 million. Shareholder's equity dropped from EUR 140.3 million to EUR 129.1 million. The key factor for the decline in shareholder's equity was the distribution of profits in April 2007 of EUR 17.4 million. The positive earnings of EUR 5.9 million during 1HY 2007 boosted shareholder's equity. At 78.2%, the equity ratio declined slightly against the previous year (80.1%).

FACTOR INPUT

Investments. Gross investments in fixed and intangible assets totaled EUR 2.3 million (1.9) in the second quarter 2007 and were thus 22.5% higher year-on-year. Thus, in the first half of the year gross investments of EUR 4.9 million (3.0) were made. As a result, the investment ratio amounts to 7.5% of sales in the half year. Investments primarily related to the further development of the new technology sites abroad, in Malaysia and Slovakia.

Research and development. In the second quarter 2007, research and development expenses of the Mühlbauer Group amounted to EUR 4.5 million (4.7) – as a result, they climbed to a total of EUR 9.2 million (9.2) in the first half year. In the SmartID area research and development focused on the extension of process modules for passport and (ID) card technologies as well as on new card production and punching systems. Additionally, the product portfolio for the RFID market was extended by further systems, through consistent developments, so that Mühlbauer can now also offer one-stop solutions in the Smart Label area. The IL 15000 (Insertion Line) was developed as a counterpart to the CL 15000 and inserts an RFID inlay into completed paper labels, thus ensuring contactless readability. TL 15000 (Test Line), also newly developed and used for fully automatic quality checks of self-adhesive labels, additionally guarantees the maximum level of quality of the labels tested.

Employment. On 30 June 2007, Mühlbauer employed 1,670 (1,507) staff across the group. Compared with the end of the year, this means that the number of employees has increased by 10.8%, which is due, in particular, to the development of new technology sites abroad. With a training and apprenticeship rate of 12.5%, training continues to be an important element at Mühlbauer, to cover demand for highly qualified workers. As a result, at the end of the reporting period 208 (196) young people were employed by Mühlbauer as apprentices or trainees.

RISK REPORT

Against the background of a systematic and efficient risk management system, risks at Mühlbauer are delimited and manageable. Risks constituting a threat to the continuity of the company are not discernible. The group encounters all temporary volatility from the increasing project business and resultant changes with regard to the probability of cost, liquidity and personnel risks with intensive controlling measures to be able to react to unfavorable developments with countermeasures in a timely manner. Additionally, market opportunities and entrepreneurial risks, that may result from the continued internationalization of the group in the Asian and eastern European area, are being watched closely and evaluated. The statements of the risk report contained in the 2006 Annual Report continue to apply.

OUTLOOK

Global economy. The expansion of the global economy will remain vigorous but bottom out somewhat in the second half of the year. It can be assumed that the US American economy will accelerate slightly, following the temporary deceleration. In the Euro zone the economy will tend upwards but will most likely lose some of its momentum in the course of the year. Research institutions anticipate growth of 4.7% for the global economy and 2.5% for Germany.

Industry development. Demand for innovative identification documents and Smart Cards is unbroken on the Cards & TECURITY® market. Eurosmart, the industry expert, anticipates sales of 4.2 billion (3.6) cards in 2007. According to Eurosmart's estimate, the market segment featuring the strongest growth is "Government/Healthcare", which is to undergo particularly rapid development of 56% due to the issue of electronic passports and ID cards. Double-digit rates of growth are also supposed to be achieved on the market for bank cards – growth is to primarily derive from the implementation of contactless payment using EMV cards.

The growth prospects for the RFID market are also unbroken. The industry experts at Frost & Sullivan are forecasting an increase in RFID pilot projects for supply chain management, particularly in the Asian region, although the switch by logistics and store management to contactless data transmission stands to increase globally.

Market research institutions are reducing forecasts in respect of the global semiconductor market. While initially a growth increase of 10% was anticipated for 2007, SIA is now forecasting growth of approx. 2% and iSuppli of 6%.

Business development. Worldwide states and public authorities are in a transformation process away from conventional identification documents to new innovative card and ID applications in accordance with international standards. Additionally, demand for further card applications such as EMV and GSM cards is rising. As global market leader on the Cards & TECURITY® market, Mühlbauer is deeply involved in this process and, due to its worldwide unique solution orientation, it is in a position to fully benefit long-term from the rising global demand for reliable technology and software solutions for the production of all types of Smart Cards and ePassports. Mühlbauer is also ideally positioned in the RFID area, to benefit from the intensification of the RFID technology and its resultant growth. The positive points here are, in particular, the indications that global players who are well-known on the market will start making investments again, after a shift of capacities to a more widespread customer base in the past. In Semiconductor Related Products the Mühlbauer Group will continue to focus on promising niche markets of the semiconductor industry, while the development and marketing of innovative technology solutions such as industrial image inspection is to further relativize the cyclicity of the semiconductor industry. Currently, no developments are discernible in the business areas Traceability and Precision Parts & Systems, which lead to an expectation that

business development will deviate significantly in future. In the course of the year the internationalization of the group will be reinforced through the further development of the technology site in Malaysia and the setup of the development site in Slovakia.

Despite the medium- to long-term favourable market environment in the Cards & TECURITY® area, the looming extension of project lead times and the recovery of the semiconductor industry, particularly in respect of business with governments, anticipated for the beginning of the second half of the year – but not yet occurring – has resulted in an adjustment of the personally liable shareholder's sales forecast. On the basis of the development of sales in the first two quarters, we are now proceeding on the assumption that we will be able to achieve a volume of sales in respect of the entire year between EUR 150 million and EUR 160 million.

IMPORTANT NOTICE

This interim management report contains future-oriented statements; statements that are not based on historical facts but on current plans, assumptions and estimates. Any statements in respect of the future only ever apply to the period in which they were made. Mühlbauer accepts no obligation to revise these on receipt of new information. Future-oriented statements are always subject to risk and insecurity. In this context we would like to point out that a range of factors can impact the actual results to the extent that these deviate significantly from the forecast results. Some of these factors are described in the section "Risk report", in sections of the 2006 Annual Report and in this interim report.

**CONSOLIDATED STATEMENTS OF INCOME (IFRS) FROM JANUARY 1 TO JUNE 30, 2007
OF MÜHLBAUER HOLDING AG & Co. KGaA¹⁾**

	Notes	April 01. - June 30, 2007		April 01. - June 30, 2006		January 01. - June 30, 2007		January 01. - June 30, 2006	
		TEUR	%	TEUR	%	TEUR	%	TEUR	%
1. Sales		30,656	100.0	40,347	100.0	65,126	100.0	77,695	100.0
2. Cost of sales	(3)	(18,094)	(59.0)	(23,421)	(58.0)	(39,658)	(60.9)	(43,284)	(55.7)
3. Gross profit		12,562	41.0	16,926	42.0	25,468	39.1	34,411	44.3
4. Selling expenses	(4)	(2,558)	(8.3)	(2,648)	(6.6)	(4,518)	(6.9)	(5,616)	(7.3)
5. Administrative expenses		(1,986)	(6.5)	(1,610)	(4.0)	(3,913)	(6.0)	(3,611)	(4.6)
6. Research and development		(4,303)	(14.0)	(4,473)	(11.1)	(9,529)	(14.6)	(9,470)	(12.2)
7. Other income		178	0.5	150	0.4	312	0.4	602	0.8
8. Other expenses		(33)	(0.1)	78	0.2	(56)	(0.1)	(15)	0.0
9. Operating income		3,860	12.6	8,423	20.9	7,764	11.9	16,301	21.0
10. Financial result									
a) Financial income	(5)	1,637	5.3	588	1.4	2,000	3.1	1,286	1.7
b) Financial expenses	(5)	(308)	(1.0)	(4)	0.0	(422)	(0.7)	(74)	(0.1)
11. Income before income taxes		5,189	16.9	9,007	22.3	9,342	14.3	17,513	22.6
12. Income taxes	(6)	(1,821)	(5.9)	(2,877)	(7.1)	(3,462)	(5.3)	(5,790)	(7.5)
13. Net earnings		3,368	11.0	6,130	15.2	5,880	9.0	11,723	15.1
Earnings per share in EURO									
basic	(7)	0.21		0.42		0.37		0.81	
fully diluted	(7)	0.21		0.43		0.37		0.81	
Weighted average of shares									
basic	(7)	6,094,947		6,078,797		6,094,947		6,078,797	
fully diluted	(7)	6,095,080		6,079,080		6,095,080		6,079,080	

¹⁾ uncertified

The accompanying notes are an integral part of these Consolidated Financial Statements.

**CONSOLIDATED BALANCE SHEETS (IFRS) AS AT JUNE 30, 2007
OF MÜHLBAUER HOLDING AG & Co. KGaA**

	Notes	June 30, 2007 ¹⁾ TEUR	Dec. 31, 2006 ²⁾ TEUR
ASSETS			
Short-term assets			
Cash and cash equivalents		9,891	11,311
Marketable securities	(8)	13,791	21,819
Trade accounts receivable, net		25,011	30,106
Other current assets		4,286	4,598
Tax receivables	(9)	3,507	1,360
Inventories	(10)	45,529	39,807
		102,015	109,001
Long-term assets			
Investment and long-term financial assets			
Marketable securities	(11)	5,719	11,524
Trade accounts receivable, net		1,089	1,335
		6,808	12,859
Fixed assets			
Land and buildings, net		27,255	25,683
Technical equipment, net		8,760	8,895
Furniture and office equipment, net		5,725	5,168
Buildings and equipment in progress		227	377
		41,967	40,123
Intangible assets			
Software and licenses		1,069	1,039
Capitalized development costs		9,255	8,971
		10,324	10,010
Other long-term assets			
Long-term tax receivables		2,537	2,268
Deferred tax assets		403	42
Plan assets	(12)	1,114	926
		4,054	3,236
		165,168	175,229
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities			
Debt		1	0
Trade accounts payable		8,164	7,655
Downpayments received on orders		7,362	5,646
Other liabilities		4,135	4,723
Accrued income taxes		1,753	2,540
Other accruals		10,044	9,847
		31,459	30,411
Long-term liabilities			
Deferred tax liabilities		4,626	4,519
		4,626	4,519
Shareholders' equity			
Ordinary share capital (par value 1.28 EUR; 6,380,000 ordinary shares authorized; 6,279,200 ordinary shares issued, thereof 6,111,960 ordinary shares outstanding)	(13)	8,038	8,038
Own shares	(13)	(214)	(240)
Fixed capital contribution	(13)	(2,980)	(2,980)
Additional paid-in capital	(13)	60,476	59,872
Other comprehensive income	(13)	907	1,259
Retained earnings	(13)	62,856	74,350
		129,083	140,299
		165,168	175,229

¹⁾uncertified ²⁾certified

The accompanying notes are an integral part of these Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF CASHFLOWS (IFRS)
OF MÜHLBAUER HOLDING AG & Co. KGaA¹⁾**

	January 01 - June 30, 2007 TEUR	January 01 - June 30, 2006 TEUR
Cash provided by operating activities		
1. Net earnings	5,880	11,723
2. + Income taxes	3,462	5,790
3. + Interest expenses	79	55
Adjustments for non cash expenses and income		
4. +/- Expenses/(income) from employee profit-sharing programs	155	158
5. +/- Depreciations/(appreciations) to fixed assets	3,210	2,950
6. +/- Depreciations/(appreciations) to intangible assets	349	235
7. +/- Depreciations/(appreciations) to capitalized development costs	876	2,062
8. +/- (Gains)/losses from the sale of fixed assets	(35)	(117)
9. +/- Currency differences from the transition of fixed assets	9	4
10. +/- Realized net (gains)/losses from short- and long-term marketable securities	(963)	(331)
11. +/- (Gains)/losses from the change in fair value of financial instruments	100	(84)
12. +/- (Increase)/decrease of deferred tax assets	(361)	(923)
13. +/- Increase/(decrease) of deferred tax liabilities	107	(128)
Changes in working capital		
14. +/- (Increase)/decrease of inventories	(5,722)	(6,536)
15. +/- (Increase)/decrease of trade accounts receivable and other short-term assets	2,173	(6,317)
16. +/- (Increase)/decrease of trade accounts payable and other liabilities	5,702	3,335
17. = Cash generated from operating activities	15,021	11,876
18. - Income tax paid	(8,400)	(4,541)
19. - Interest paid	(70)	(25)
20. = Cash provided by operating activities	6,551	7,310
Cashflow from investing activities		
21. + Proceeds from disposals of fixed assets	777	152
22. - Purchase of fixed assets	(4,854)	(2,179)
23. - Purchase of intangible assets	(279)	(235)
24. - Expenditures for capitalized development costs	(1,161)	(1,845)
25. + Proceeds from sales of long-term marketable securities (available-for sale-papers)	8,652	2,399
26. - Acquisitions of long-term marketable securities (available-for sale-papers)	(1,672)	(2,620)
27. + Proceeds from sales of short-term marketable securities (available-for sale and held-to-maturity papers)	17,664	7,047
28. - Acquisitions of short-term marketable securities (available-for sale and held-to-maturity papers)	(10,153)	(6,981)
29. = Cash used for investing activities	8,974	(4,262)
Cashflow from financing activities		
30. - Repayment of long-term debts	0	0
31. +/- Increase/(decrease) of short-term debts	1	(515)
32. + Proceeds from sales of own shares	475	383
33. - Dividends paid	(15,718)	(12,006)
34. +/- Tax withdrawal personally liable shareholder	(1,657)	(1,250)
35. = Cash used for financing activities	(16,899)	(13,388)
36. +/- Increase/(decrease) of currency exchange rate changes	(46)	(39)
37. = Net increase/(decrease) in cash and cash equivalents (Total of lines 20, 29, 35 and 36)	(1,420)	(10,379)
38. + Liquid funds on January 1	11,311	29,486
39. = Liquid funds on June 30	9,891	19,107

¹⁾uncertified

The accompanying notes are an integral part of these Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)
OF MÜHLBAUER HOLDING AG & Co. KGaA**

						Other comprehensive income/ (loss)				
	Notes	Total number of shares	Own shares Number	Ordinary share capital TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Cumulative transaction adjustments TEUR	Available for-sale- securities TEUR	Retained earnings TEUR	Total TEUR
Balance December 31, 2005¹⁾		6,279,200	(202,437)	7,779	(2,980)	59,319	191	2,028	59,878	126,215
Net earnings		-	-	-	-	-	-	-	11,723	11,723
Other comprehensive income/(loss) (13)		-	-	-	-	-	(39)	(239)	-	(278)
Total comprehensive income/ (loss)		-	-	-	-	-	(39)	(239)	11,723	11,445
Deferred compensation (13)		-	-	-	-	158	-	-	-	158
Proceeds from sales of own shares (13)		-	13,945	18	-	365	-	-	-	383
Dividends (13)		-	-	-	-	-	-	-	(13,256)	(13,256)
Balance June 30, 2006²⁾		6,279,200	(188,492)	7,797	(2,980)	59,842	152	1,789	58,345	124,945
Balance December 31, 2006¹⁾		6,279,200	(187,502)	7,798	(2,980)	59,872	101	1,158	74,350	140,299
Net earnings		-	-	-	-	-	-	-	5,880	5,880
Other comprehensive income/(loss) (13)		-	-	-	-	-	(46)	(306)	-	(352)
Total comprehensive income/(loss)		-	-	-	-	-	(46)	(306)	5,880	5,528
Deferred compensation (13)		-	-	-	-	155	-	-	-	155
Proceeds from sales of own shares (13)		-	20,262	26	-	449	-	-	-	475
Dividends (13)		-	-	-	-	-	-	-	(17,375)	(17,375)
Balance June 30, 2007²⁾		6,279,200	(167,240)	7,824	(2,980)	60,476	55	852	62,856	129,083

¹⁾ certified

²⁾ uncertified

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes

A. GENERAL INFORMATION

(1) BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

Description of business activities

Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien (referred to as the company) and its subsidiaries (together referred to as the Mühlbauer Group) develop, produce and distribute products and services within the chip card, passport, Smart Label and semiconductor industries. The development and production sites of the company are located in Germany, Malaysia and Slovakia. Sales are effected globally, via the company's own sales and services network and trade representations in different countries.

Principles of presentation

The present unaudited and unrevised consolidated interim financial statements were drawn up in accordance with International Financial Reporting Standards (IFRS) and the relevant interpretation of the International Accounting Standards Board (IASB) for interim reporting, as applicable in the European Union. As a result, these consolidated interim financial statements notes do not contain all the information and notes required by the IFRS for consolidated financial statements at the end of a financial year.

In the personally liable shareholder's view, the present unaudited and unrevised consolidated interim financial statements contain all adjustments necessary to reflect the

actual earnings situation of the interim result. The results for the reporting period ending on 30 June 2007, do not necessarily enable the drawing of conclusions with regard to the development of future results.

In the context of drawing up consolidated interim financial statements in accordance with IAS 34 'Interim Financial Reporting', the personally liable shareholder has to make assessments, estimates and assumptions that impact the application of reporting principles within the group and the statement of assets and liabilities as well as income and expenses. The actual results may deviate from these estimates.

(2) SUMMARY OF KEY ACCOUNTING PRINCIPLES

PRINCIPLES OF CONSOLIDATION

The accounting principles applied to the consolidated interim financial statements correspond with those of the last consolidated financial statements at the end of the financial year. A detailed description of accounting principles is provided in the notes to the consolidated financial statements of our 2006 Annual Report.

B. EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF INCOME

(3) COST OF SALES

Apart from directly attributable costs such as those related to materials, personnel, power and overheads, production costs also comprise the balance of devaluations and revaluations on inventories. In Q2 2007 this balance amounted to TEUR 599 (PY: TEUR 4,372) and in 1HY 2007 to TEUR 2,663 (PY: TEUR 6,805).

(4) SELLING EXPENSES

Selling expenses in Q2 2007 comprise income from the recognition of value-adjusted trade receivables of TEUR 122 (PY: TEUR 183). In 1HY 2007, this income amounted to TEUR 898 (PY: TEUR 232).

(5) FINANCIAL RESULT

	1 Apr - 30 Jun 2007 TEUR	1 Apr - 30 Jun 2006 TEUR	1 Jan - 30 Jun 2007 TEUR	1 Jan - 30 Jun 2006 TEUR
Realized income from securities and financial assets	1,290	164	1,388	475
Interest and dividend income	310	402	547	750
Other interest and similar earnings	37	22	65	61
Financial income	1,637	588	2,000	1,286
Realized losses from securities and financial assets	(262)	-	(305)	(20)
Interest and similar expenses	(46)	(4)	(117)	(54)
Financial expenses	(308)	(4)	(422)	(74)
Total	1,329	584	1,578	1,212

(6) INCOME TAXES

According to the statements of income, the tax rate in Q2 2007 is 35.1% (PY: 31.2%), that of 1HY 2007 37.1% (PY: 33.1%). Income before income taxes in Q2 2007 and 1HY 2007 contains negative result of TEUR 125 and TEUR 496, in respect of which no deferred tax assets were formed, as this negative annual result cannot be taken into account with regard to taxes, due to the fact that a multi-year tax exemption applies to the group companies affect-

ed. The adjusted tax rates for Q2 2007 and 1HY 2007 are 34.4% and 35.6%, respectively.

The effective tax rate that is to be applied to the earnings attributable to the shareholders of the limited partnership is 43.26% (PY: 33.44%) in Q2 2007 and 43.97% (PY: 34.5%) in 1HY 2007.

(7) EARNINGS PER SHARE

The basic and diluted earnings per share are calculated as follows:

		1 Apr - 30 Jun 2007	1 Apr - 30 Jun 2006	1 Jan - 30 Jun 2007	1 Jan - 30 Jun 2006
Income before income taxes	TEUR	5,189	9,007	9,342	17,513
Portion of share capital in total capital	%	42.73	42.73	42.73	42.73
Portion of income before income taxes applicable to the shareholders of the limited partnership	TEUR	2,217	3,849	3,992	7,483
Effective tax rate	%	43.26	33.44	43.97	34.51
Effective tax amount	TEUR	959	1,287	1,755	2,583
Portion of net earnings for the year applicable to the shareholders of the limited partnership	TEUR	1,258	2,562	2,236	4,901
Weighted average of common shares	No.	6,279,200	6,279,200	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(184,253)	(200,403)	(184,253)	(200,403)
Weighted average of shares outstanding	No.	6,094,947	6,078,797	6,094,947	6,078,797
Dilution effects from subscription rights of employees and executives	No.	133	283	133	283
Weighted average of shares outstanding (fully diluted)	No.	6,095,080	6,079,080	6,095,080	6,079,080
Basic earnings per share	EUR	0.21	0.42	0.37	0.81
Diluted earnings per share	EUR	0.21	0.43	0.37	0.81

C. EXPLANATIONS ON THE CONSOLIDATED BALANCE SHEET

(8) MARKETABLE SECURITIES

in TEUR	30 June 2007	31 December 2006
Securities of the category "available-for-sale"		
Shares and comparable securities	12,351	19,012
Bonds	1,440	2,807
	13,791	21,819

Earnings totaling TEUR 16,798 (PY: TEUR 23,331) were achieved in Q2 2007 from the sale of shares and comparable securities and of TEUR 17,782 (PY: TEUR 44,016) in 1HY 2007. The gains realized through these sales amounted to TEUR 1,181 in Q2 2007 (PY: TEUR 164) and TEUR 1,269 (PY: TEUR 475) in 1HY 2007. Payments for the purchase of shares and comparable securities amounted to TEUR 8,207 (PY: TEUR 12,503) in Q2 2007 and TEUR 10,152 (PY: TEUR 33,146) in 1HY 2007.

Earnings from the disposal of bonds amounted to TEUR 1,801 (PY: TEUR 0) in Q2 2007 and TEUR 2,801 (PY: TEUR 2,379) in 1HY 2007. The losses realized from this amounted to TEUR 63 (PY: TEUR 0) in Q2 2007 and TEUR 97 (PY: TEUR 20) in 1HY 2007.

(10) INVENTORIES

in TEUR	30 June 2007	31 December 2006
Raw materials, auxiliary and operating materials	7,987	7,233
Unfinished products	31,938	28,835
Finished products	5,604	3,718
Deposits paid on inventories	-	21
	45,529	39,807

In the year under review, inventory assets were devalued by TEUR 2,663 (PY: TEUR 4,977).

(11) FINANCIAL ASSETS

In Q2 2007, earnings from the disposal of bonds amounted to TEUR 5,850 (PY: TEUR 0). The losses realized from

The earnings achieved from the sale of funds were largely utilized for the distribution of profits and for investments (we refer to the consolidated statements of cashflows).

(9) TAX RECEIVABLES

The tax receivables of TEUR 3,507 (PY: TEUR 1,360) comprise reclaimable income tax claims of domestic and foreign group companies. The increase is largely due to capital gains taxes from domestic profit distributions and overpayments of domestic income taxes.

this amount to TEUR 89 (PY: TEUR 0) in Q2 2007. Payments for the purchase of bonds totaled TEUR 1,672 (PY: TEUR 2,620) in 1HY 2007.

The earnings achieved from the sale of funds were largely utilized for the distribution of profits and for investments (we refer to the consolidated statements of cashflows).

(12) PENSION AND POSTRETIREMENT BENEFITS

During the reporting period the value in respect of "Pension provisions and similar obligations", recorded in the balance sheet, changed as presented below. The compo-

sition of the amounts recorded as income in the statements of income can also be found in the following table:

in TEUR	1 Jan - 30 Jun 2007	30 June 2007	1 Jan - 31 Dec 2006	31 December 2006
Accruals for pension obligations at the beginning		(926)		(510)
Amounts recorded as income				
Current service cost	224		457	
Interest expenses on obligations	99		178	
Expected earnings on plan assets	(87)		(175)	
Amortization of actuarial losses	16	252	49	509
Contributions to plan assets		(440)		(925)
Accruals for pension obligations at the end		(1,114)		(926)

(13) SHAREHOLDERS' EQUITY**Own shares**

On the basis of the resolution passed by the Annual General Meeting on 26 April 2007, the personally liable shareholder is authorized to purchase company shares of up to 10% of the current ordinary share capital until 30 September 2008, for specific pre-defined purposes.

Of its stock of 187,502 own shares with a nominal value of EUR 240,002.56 at the beginning of the financial year, the company disposed of 20,262 shares with a nominal value of EUR 25,935.36 in the course of the capital formation scheme executed by the company for the employees of

the Mühlbauer Group. This corresponds to a share of ordinary share capital of 0.32%. The earnings, totaling TEUR 475, are being used to strengthen the working capital. As per 30 June 2007, the company holds a stock of 167,240 own shares of a nominal value of EUR 214,067.20. At this point in time, the percentage of own shares in the ordinary share capital is 2.66%.

Other comprehensive income

The following table shows the development of the changes in equity that do not affect income.

in TEUR	Financial assets of the category "available-for-sale"	Difference due to currency translation	Total
Status as per 31 December 2006	1,158	101	1,259
Adjustments to market values	441	-	441
Currency adjustments	-	(46)	(46)
Reclassification in income statement	(747)	-	(747)
Status as per 30 June 2007	852	55	907

Appropriation of earnings

The Annual General Meeting on 26 April 2007 resolved the payment of a dividend of EUR 1.00 per share plus a special dividend of EUR 0.25, on the occasion of the 25-year anniversary of the company, which amounts to a total of EUR 1.25 per no par value share entitled to participate in the profits. Apart from the payment of a total dividend of TEUR 7,640 to the shareholders of the company, the appropriation of earnings also includes the transfer of profits and losses of the company, laid down in the partnership agreement, to the personally liable shareholder, Mühlbauer Holding AG & Co. Verwaltungs KG, of TEUR 9,735, due in parallel. Taxes of TEUR 1,251, paid by the company and to be borne by the personally liable shareholder are deducted from this amount.

Stock purchase programs

On the basis of specific accomplished personal or team goals, the employees of the Mühlbauer Group held a total of 1,294 subscription rights at the end of the reporting period. Every single subscription right authorizes its holder to subscribe to one common share issued to the bearer.

The average exercise price is EUR 27.94. All subscription rights can be exercised without observing a waiting period. The company intends to make use of its right to make cash payments to beneficiaries instead of transferring shares, thus meeting all subscription rights from cash and cash equivalents.

Moreover, neither the personally liable shareholder nor the Supervisory Board held subscription rights or comparable securities in accordance with § 160 (1) No. 5 AktG (Stock Corporation Act).

(14) LIABILITY AND OTHER FINANCIAL OBLIGATIONS

Compared to the liability and other financial obligations stated in the notes (28) of the Annual Report as per 31 December 2006, no major reportable changes occurred.

D. SEGMENT REPORTING

Segment information for Q2 2007/2006 and 1HY 2007/2006:

Sales by application area	Q2 2007 TEUR	Q2 2006 TEUR	1HY 2007 TEUR	1HY 2006 TEUR
Smart Identification	16,081	19,737	35,820	40,756
Semiconductor Related Products	6,795	13,276	13,021	22,356
Precision Parts and Systems	4,327	3,655	10,164	8,044
Traceability	3,541	3,738	6,336	6,654
	30,744	40,406	65,341	77,810
Deductions on sales	(88)	(59)	(215)	(115)
	30,656	40,347	65,126	77,695

Sales by region	Q2 2007 TEUR	Q2 2006 TEUR	1HY 2007 TEUR	1HY 2006 TEUR
Germany	10,841	10,364	22,085	20,217
Rest of Europe	5,873	11,396	18,469	18,732
Asia	10,483	15,110	17,771	32,014
America	1,763	1,727	3,440	4,504
Others	1,784	1,809	3,576	2,343
	30,744	40,406	65,341	77,810
Deductions on sales	(88)	(59)	(215)	(115)
	30,656	40,347	65,126	77,695

E. NOTES TO THE STATEMENTS OF CASHFLOWS

The free cashflow is derived as follows:

	1HY 2007 TEUR	1HY 2006 TEUR
Cash provided by operating activities	6,551	7,371
Cash used for investing activities	8,974	(4,262)
Subtotal	15,525	3,109
Transition to the free cashflow		
(Gains)/Losses from the sale of fixed assets	35	117
Currency differences from the transition of fixed assets	(9)	(4)
Realized net (gains)/losses from short- and long-term marketable securities	963	331
Proceeds from disposals of fixed assets	(777)	(152)
Proceeds from sales of long-term marketable securities	(8,652)	(2,399)
Acquisitions of long-term marketable securities	1,672	2,620
Proceeds from sales of short-term marketable securities	(17,664)	(7,047)
Acquisitions of short-term marketable securities	10,153	6,981
Free cashflow	1,246	3,556

F. OTHER NOTES**(15) EVENTS AFTER THE REPORTING DATE**

There were no developments of special significance after the end of Q2 2007.

(16) RELATIONSHIPS WITH ASSOCIATED COMPANIES AND PERSONS

The parties considered associated companies and persons within the meaning of IAS 24 'Related Party Disclosures' are outlined in the notes (33) of the Annual Report as per 31 December 2006. In the reporting period, major business transactions with these associated companies and persons were:

Dr. Thomas Zwissler, Chairman of the Supervisory Board is also an attorney and partner of the international law firm Zirngibl Langwieser. The company occasionally provides le-

gal consultation to the Mühlbauer Group. The fees for such services amounted to TEUR 7 in 1HY 2007 (PY: TEUR 13).

Mühlbauer Aktiengesellschaft, ASEM Präzisions-Automaten GmbH and takeID GmbH rent office space from Mr. Josef Mühlbauer. In 1HY 2007, rental costs amounted to TEUR 154 (PY: TEUR 158).

Mühlbauer Aktiengesellschaft utilizes certain services in respect of the conveyance of passengers, sales promotion and staff development, offered by companies that are indirectly controlled by Mr. Josef Mühlbauer. Mühlbauer Aktiengesellschaft paid TEUR 122 in 1HY 2007 (PY: TEUR 45).

(17) NUMBER OF EMPLOYEES

At the end of the period under review the Group employed:

	30 June 2007 Number	30 June 2006 Number
Production and assembly	883	806
Research and development	322	294
Administration and sales	165	132
	1,370	1,232
Apprentices and trainees as well as part-time employees	300	275
	1,670	1,507

Number of employees by region at the end of the reporting period:

	30 June 2007 Number	30 June 2006 Number
Germany	1,527	1,426
Asia	103	55
Rest of Europe	20	5
America	15	16
Others	5	5
Total	1,670	1,507

G. ASSURANCE OF THE LEGAL REPRESENTATIVE

I herewith assure, to the best of my knowledge, that the consolidated interim financial statements, drawn up in accordance with the accounting principles applicable to interim reporting, reflect the actual asset, financial and earnings situation of the Group and that the development of business, including the performance and situation of the Group – presented in the consolidated interim report – is presented to depict a realistic image of the Group and that the key opportunities and risks of the company's anticipated development during the remaining financial year are described.

This interim report was authorized to be published on 31 July 2007.

**Mühlbauer Holding AG & Co.
Kommanditgesellschaft auf Aktien**

The personally liable shareholder

Financial calendar

Oct. 30, 2007: Quarterly report III/2007

Nov. 14, 2007: German Equity Forum Frankfurt/Main

March 2008: Annual report 2007

Apr. 29, 2008: Annual General Meeting 2008

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